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March, 1986

Montana Science & Technology Alliance Report

Striving to promote a partnership between government, academia & industry

MSTA Board Makes First Investment Decision

The Montana Science and Technology Alliance Board of Directors voted unanimously on Saturday, February 1st, to make its first technology investment in ChromatoChem, Inc., a firm which plans to manufacture equipment and materials for the high performance affinity chromatography market.

The firm, founded by Richard Hammen, a Missoula native, will relocate from Southern California to Missoula by mid-year. It expects to provide up to 150 jobs within five years. The Board approved an investment of $200,000 for the start-up seed capital project and ChromatoChem is expected to produce a 20-percent annual payback. In addition, ChromatoChem will pay a ¼-percent sales override for a 10-year period.

In the technical assistance area, the Board voted to finance a project by the Development Corporation of Montana to establish a network of venture capital investors in Montana.

"We have the responsibility to pick winners in innovative technology areas and with these projects we think we have some," commented R. Stephen Browning, Chairman of the Alliance Board of Directors.

The network would be designed to bring investors and entrepreneurs together to provide more risk capital for new technology-based business projects. DCM, a Helena-based venture capital firm headed by Richard Bourke, will receive up to $7,100 for the project.

The Alliance Board also voted to give tentative approval to another Missoula project, Alternative Diagnostix, Inc., founded by Charles McLaughlin, which is proposing to manufacture test kits to detect certain kinds of infectious diseases. The kits would be used both in physicians' offices and in the home. The company expects to create up to 200 new jobs in the Missoula area by 1991. The Board is expected to give final approval to the project at its next Board meeting, scheduled for April 7 and 8 in Helena.

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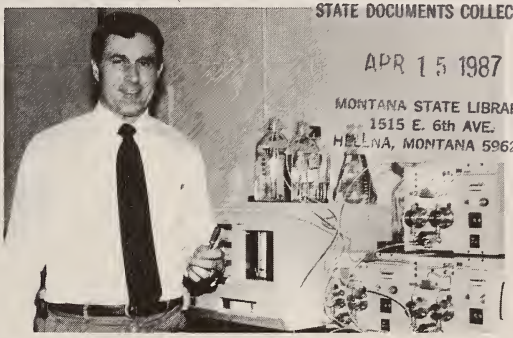

Dr. Richard Hammen, founder of ChromatoChem.

ChromatoChem to Manufacture New Generation of Affinity Chromatography Products

ChromatoChem, Inc. was founded in 1984 by Dr. Richard Hammen to manufacture and sell HPAC products for the separation, purification and analysis of high value-added chemicals and biochemicals. Affinity chromatography is a process by which a substance of interest is separated from other material by means of a highly specific interaction (affinity) between the substance and a solid surface.

ChromatoChem has a new generation of affinity chromatography products that differ in the use of silica beads for the solid support and the nature of the surface chemistry. These products enable a separation procedure to be performed in a fraction of the time taken by conventional methods.

The Alliance funding of $200,000 will be matched with over $800,000 in private fundings. The University of Montana will also participate in this project. ChromatoChem is contracting with the university's chemistry department for performance of research and development work for two new HPAC products.

Dr. Hammen was raised in Missoula. Educated in Wisconsin and California, he has managed chemical research companies on the West Coast. He is the recipient of three Small Business Innovation Research Program grants from the federal government and has several experiments for NASA scheduled to fly aboard future space shuttle flights.

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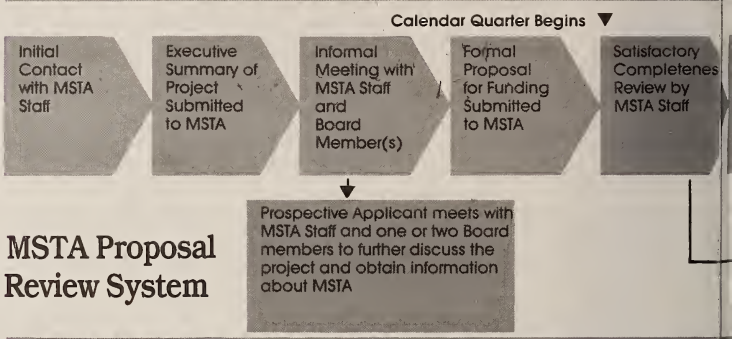

Calendar Quarter Begins
Initial Contact with MSTA Staff
Executive Summary of Project Submitted to MSTA
Informal Meeting with MSTA Staff and Board Member(s)
Formal Proposal for Funding Submitted to MSTA
Satisfactory Completenes Review by MSTA Staff
Prospective Applicant meets with MSTA Staff and one or two Board members to further discuss the project and obtain information about MSTA

MSTA Proposal Review System

DCM to Formulate Montana Venture Capital Network

Development Corporation of Montana's venture capital network project is funded under the Alliance's Technical Assistance and Technology Transfer funding program.

The project design is two-fold. The first phase will be to develop and mail a questionnaire to individuals targeted as potential members of the network to assess areas of interest. If there is sufficient interest, the second phase will involve actually setting up the network and initiating a series of regularly scheduled meetings for members. The network will also entail the establishment of a computerized data base of in-state investors and entrepreneurs to provide a continual comparison of investor interests and entrepreneurial needs.

The object of the network meetings will be to facilitate the flow of information between entrepreneurs and investors, to provide greater investment opportunities for venture capital companies and individual investors, and to provide entrepreneurs better access to investment capital. Networks similar to this have been in existence in other states since the 1970s. In consideration for funding, the Alliance will be an active participant in the network as a charter member.

Funding a Program of Technological Innovation

The Montana Science and Technology Alliance was established in 1985 by the Montana Legislature as a partnership of businesses, government and academic institutions. The 15 members of the MSTA Board of Directors were appointed by Governor Ted Schwinden in August, 1985. The MSTA is staffed by the Montana Department of Commerce.

The Alliance is a commitment to the innovative technology future of the State. It is designed to support a program of innovation intended to solidify and expand — through technology research, development and commercialization — the business and industrial base of the State.

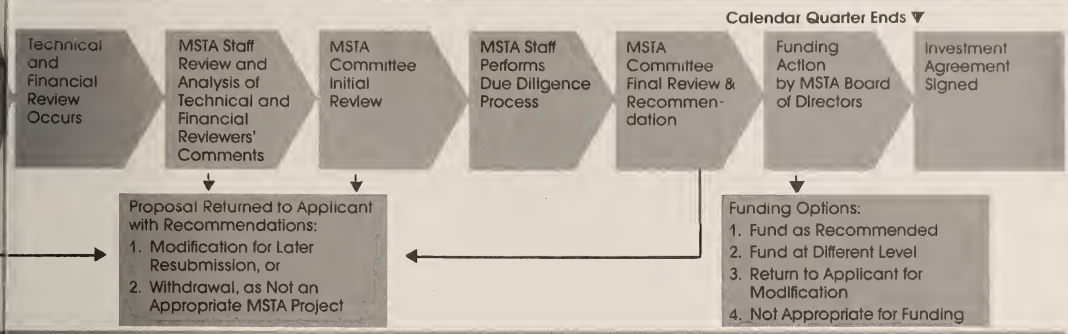
Target Technologies

Entrepreneurs, businessmen, researchers, industrialists and educators are all encouraged to apply to the MSTA for funding support. Priority will be given to those projects which address targeted technology areas and which incorporate both advanced technology and plans for full commercialization. The target techology areas include:

- Minerals
- Agriculture
- Forestry
- Energy
- Material Science
- Information Services
- Biotechnology
- Microelectronics and Computer Sciences

Funding Investment Programs

The MSTA's capital base consists of $1.7 million of state funds appropriated by the Legislature, which the Board awards to projects that it believes have outstanding scientific, technological and economic relevancy


Calendar Quarter Ends
Technical and Financial Review Occurs
MSTA Staff Review and Analysis of Technical and Financial Reviewers' Comments
MSTA Committee Initial Review
MSTA Staff Performs Due Diligence Process
MSTA Committee Final Review & Recommen-dation
Funding Action by MSTA Board of Directors
Investment Agreement Signed
Proposal Returned to Applicant with Recommendations:
1. Modification for Later Resubmission, or
2. Withdrawal, as Not an Appropriate MSTA Project
Funding Options:
1. Fund as Recommended
2. Fund at Different Level
3. Return to Applicant for Modification
4. Not Appropriate for Funding

to Montana. The MSTA has four complementary investment programs offering funding assistance:

- Research Capability Development — Investment will be used to create new and strengthen existing in-state private sector-university cooperative research and development efforts.
- Applied Technology Research — Investments will be made in product development projects leading to commercialization and production.
- Technical Assistance and Technology Transfer — Investments will be utilized to transfer technologies to new and existing concerns to improve economic productivity and profitability.
- Seed Capital Investment — Investments will provide financial leverage to encourage private sector seed capital investment for early stage financing for applied technology commercialization.

All of these programs, except Technical Assistance and Technology Transfer, require at least a dollar-for-dollar match with non-state appropriated funds.

Initial Contact with MSTA

As the first step in the project proposal development process, a prospective applicant should contact the MSTA about submitting an executive summary of the proposed project. The MSTA office is located at the Department of Commerce, 1424 Ninth Avenue, Helena, Montana 59620 or may be reached by phone at (406) 444-3707. Upon receipt of the summary a meeting with MSTA staff and possibly Board members will be scheduled to enable the applicant to present an overview of the project and obtain guidance relative to submitting a formal application. Early contact will facilitate the exchange of pertinent information and help to coordinate the preparation and presentation of a full proposal.

Technical and Financial Review Process

The formal project proposal is the next step in the funding process. Upon receipt, the proposal will be subjected to a rigorous technical and financial review. The MSTA utilizes the MONTS Program's 1200-member technical reviewer network for the technical review. Each reviewer is asked to comment on the significance of the problem addressed and its proposed solution, the technical competence of the investigators, and the technical feasibility of the proposal's design as well as the project's probability for market success, when applicable.

The proposal will also be subjected to a thorough financial review conducted by one or more members of a Financial Advisory Panel established by the Board. Members of this panel come from throughout Montana and each has a specific area of financial expertise. The financial review consists of thoroughly analyzing the proposal, its management team, the business plan and assessing the project's commercial potential.

MSTA Committee Review

After the outside review process is completed, the proposal is subjected to a review by either the Investment Committee or the Technology Transfer Committee. These committees make their review of each proposal in light of the outside technical and financial reviews as well as the recommendations generated by the staff during the due diligence process. The committees then forward the proposal to the full Board for funding consideration.

Funding Decision by MSTA Board of Directors

The Board meets quarterly during the first week of each new quarter. Funding support, on a selective basis, is provided for proposals deemed to have high levels of technical and economic significance. Funding awards are based on a rigorous evaluation of the technological and business merits of the proposals as well as on their relevancy to Montana's economy. Investment Agreements are the usual mechanism for funding these proposals. All agreements require operations to be performed within the state of Montana and provide for a specified payback to the MSTA based on the nature of the project and the degree of risk involved.

Summary

The MSTA investment process is designed to provide an equitable and thorough review of funding requests within a reasonable timeframe. The rigor imposed by the evaluation process tests the technical feasibility and commercial viability of each proposal, and, it is hoped, helps to build the foundation for a high probability of success for the funded l projects.

Montana is a state that welcomes innovative and fresh ideas. Through the MSTA it is providing research, development and commercialization capital for a new wave of technology, a new era of economic expansion and a new generation of innovative individuals and organizations who will help Montana grow and prosper in the new age of technological change.

Summary of MSTA Funding Requests

(as of March 1, 1986)

Inquiries	100
Executive Summaries	40
Summaries with University Participation	22
Formal Proposals	12
Alliance Funds Requested in Summaries	$ 4,355,786
Private Matching Funds	$ 9,819,112
Project Costs from Summaries	$ 14,174,898

Funding Requests by Program Category

Research and Development	17 summaries	$ 1,916,614
Seed Capital	16 summaries	2,086,500
Technology Transfer	7 summaries	352,672

Funding Requests by Geographic Region

Bozeman	13	Billings	2
Butte	6	Helena	2
Missoula	5	Out-of-State	1
Great Falls	3		
Broadview, Corvallis, Kalispell, Libby, Scobey, Sidney, Whitefish, Lewistown			1 each

MSTA Meetings

April 7, 1986
MSTA Committees

April 8, 1986
MSTA Board of Directors

Department of Commerce
1424 Ninth Avenue
Helena, Montana

Project Application Deadlines

Quarterly deadlines for formal application for funding are January 1, April 1, July 1, or October 1.

Next deadline is April 1, 1986

If you want more information,

Contact MSTA at:
(406) 444-3707
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Helena, MT 59620

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Montana Science & Technology Alliance

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